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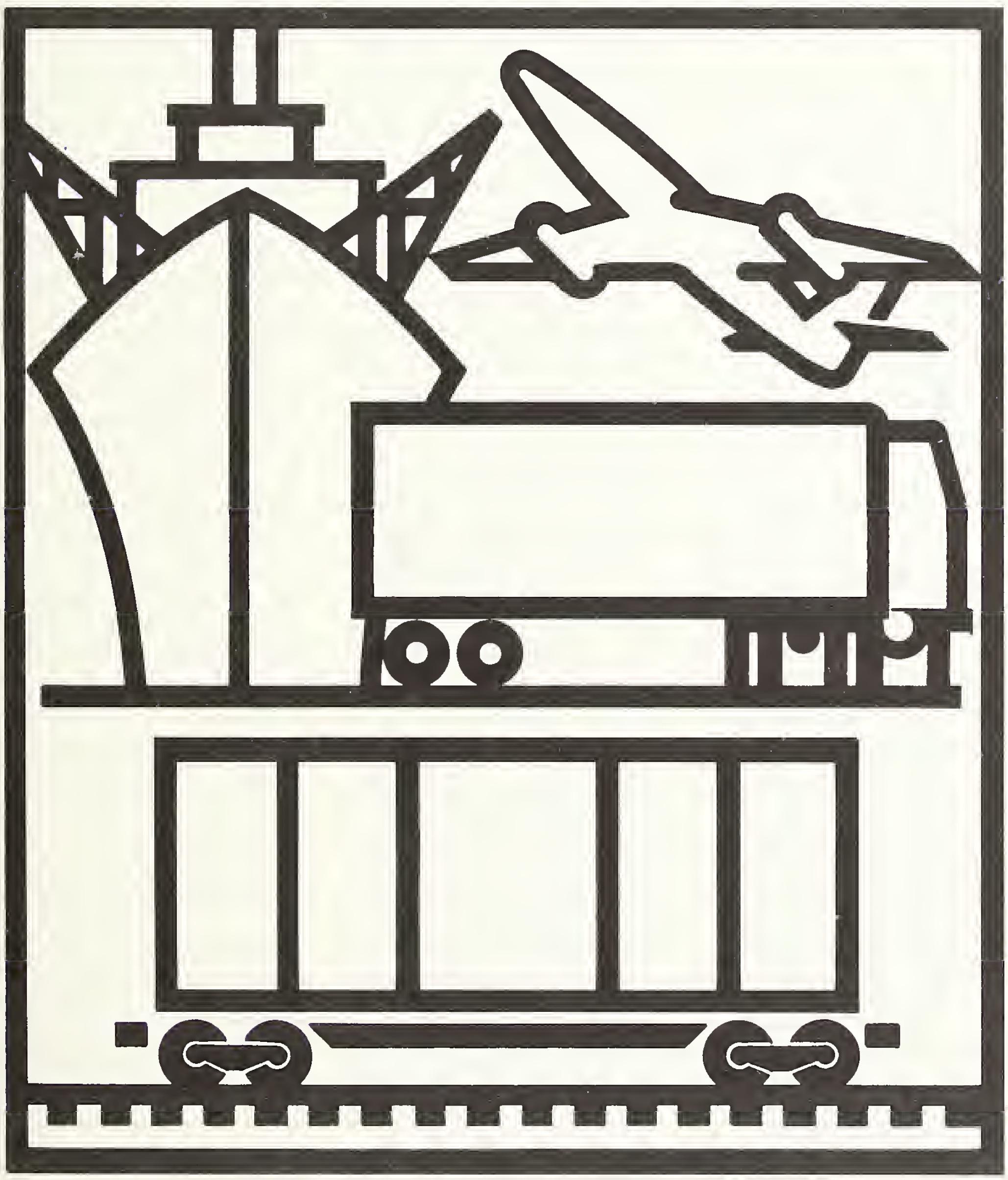

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Exports of U.S. farm products—moving by ship, aircraft, truck, and railcar—have set a new 9-months' record.

East-West Trade Growth Spurs Increases In Trade Financing

By James Iso

As the countries of Eastern Europe and the USSR become increasingly important buyers of U.S. farm products, the demand for East-West trade financing has grown. Successful bilateral trade hinges on financing and credit. This article examines the structure of such financing and, more specifically, the U.S. programs designed to handle it.

With the growth in trade between the West and the Communist countries of Eastern Europe and the USSR (as a group, the third largest trading area in the world), has come a growth in demand for East-West trade financing.

In 1977, the countries of Eastern Europe and the USSR imported almost $2 billion worth of U.S. agricultural products (including transshipments), compared with less than $300 million before 1970.

A recent U.S. bank study reported that the financial indebtedness to the West by East European countries[1] and the USSR grew from negligible levels in 1971 to an estimated $45.6 billion in 1976.

Included in the debts are: USSR—$16.2 billion; Poland—$12.6 billion; the German Democratic Republic (GDR)—$5.5 billion; Romania—$2.7 billion; Hungary—$2.5 billion; Bulgaria—$2.6 billion; Czechoslovakia—$1.6 billion; and the Council for Mutual Economic Assistance (CMEA) banking institutions—$1.9 billion.

Current estimates place a possible aggregate debt level of over $70 billion by 1980.

Apprehension has been expressed by some in the United States over the situation, but this view is not shared by a number of major U.S. commercial banks that have already extended approximately $5 billion in credit to the East.

The consensus of both U.S. and West European bankers appears to be that current and projected East European debt is—on the whole—manageable. Confidence is maintained that East European governments will continue to meet their financial commitments and rule out the possibility of full default by any East European country. On the whole, commercial bankers continue to give Eastern Europe a good credit rating.

Outside of political considerations, successful bilateral trade fundamentally evolves around financing and credit. To understand this area, one must closely examine both the structure of trade financing as it exists in the socialist countries and the forms of U.S. Government and commercial financing available for export trade.

East European trade financing. The ministry of foreign trade in most East European countries maintains centralized control of foreign trade for the State.

The State is the central negotiator of trade and the determiner of types and volume of commodities to be imported, as well as their area of distribution.

Although these import demands hinge on domestic requirements, the State decisions on imports from the West are more strongly influenced by supply and demand economics, availability of foreign exchange, credit arrangements, and political considerations.

At this time, limitations of foreign exchange and foreign credit are the overriding factors affecting imports from the West for many countries.

The foreign trade organizations (FTO) within the Ministry of Foreign Trade oversee trade. However, in some East European countries—Poland, Hungary, and the GDR—approved industry associations or individual industrial enterprises may engage in foreign trade in a limited manner.

The FTO, however, is the principal medium through which the mechanics of trade operate. Its functions normally encompass everything from final contracting to arrangements for financing and shipment of goods with the foreign supply source.

The FTO's generally operate on normal commercial trade principles—taking into account price, quality, delivery date, and payment terms. In some payment procedures, the FTO provides the promissory note for payment, guaranteed by the foreign trade bank. In these cases, the Western exporter receives payment through his normal commercial banking note discounting procedures.

In commercial trade credit arrangements, the foreign trade banks of many socialist countries arrange credit directly with Western commercial banks on terms generally accepted in international trade.

Socialist countries faced with a need for increased agricultural trade, but possessing limited foreign exchange, often will seek alternative payment arrangements to supplement traditional cash payments—or will arrange transactions tantamount to barter.

In this case, concern for exports of domestic products often equals the priority placed on imports of needed goods. The increasing trade and demand for financing have drawn socialist banks to negotiate closely with Western banks for more favorable terms, particularly longer repayment periods.

Role of National Banks

National banks in Eastern Europe are the government's force of influence and control over financing in both the domestic economy and international trade. The national bank is wholly a State organization and controls all finances in the

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[1] **Poland, Romania, Hungary, Czechoslovakia, Bulgaria, and the German Democratic Republic.**

country. Under the Ministry of Finance, it manages foreign exchange, budget, and operations for international trade.

Subordinate to the national bank is the foreign trade bank, which carries out functions in the area of foreign exchange and trade payments. Basically, payments for all international trade and service transactions are handled by the foreign trade bank.

U.S. Government trade financing programs. Under provisions of the U.S. Trade Act of 1974, which encompasses the Jackson-Vanik Amendment, the U.S. Government is prevented from extending export credit, investment guarantees, or credit guarantees to any nonmarket country that does not provide freedom of emigration to its citizens.

Among the U.S. Government credit and financing programs affected by the Act are: Commodity Credit Corporation (CCC) Export Credit Sales Program, Public Law 480, Export-Import Bank, and the Overseas Private Investment Corporation (OPIC).

Among the socialist countries, Poland and Yugoslavia are exempt from the Trade Act restriction because of the most-favored-nation (MFN) status they enjoyed with the United States prior to the Act.

In addition, Romania has been extended MFN status via waiver by the President of the United States under terms of the Act as it applies to provisions of freedom of emigration.

With implementation of the U.S.-Hungarian Trade Agreement on July 7, Hungary became the fourth East European country to receive MFN status. (*Foreign Agriculture,* July 24, 1978.)

Functions of U.S. Government credit financing programs include:

- Public Law 480 programs. The Agricultural Trade Development and Assistance Act of 1954 (or Food for Peace or P.L. 480 program), as amended, has among its principal objectives the encouragement of the economic development in developing countries, the combatting of hunger and malnutrition, the expansion and development of export markets for U.S. agricultural commodities, and the facilitating of U.S. foreign policy abroad.

The principal programs of the Act are Title I agreements with developing countries, which provide agricultural commodities under long-term dollar or convertible local currency credit sales (up to 40 years) and Title II donations of food.

P.L. 480 Programs

New provisions under Title III permit multiyear programing and forgiveness of dollar payments, provided the recipient country undertakes specific agricultural and economic development projects for commodities delivered under Title I agreements.

Currently, no East European countries are participating in P.L. 480 programs.

- Commodity Credit Corporation Program. The USDA's CCC Export Credit Sales Program—often referred to as GSM-5—is designed to finance commercial sales of U.S. farm products. CCC has been one of the major credit vehicles to assist sales of U.S. farm products abroad.

The specific agricultural products eligible for CCC export financing vary. However, they are essentially commodities that are in more than adequate supply and the exports of which effectively utilize CCC credit to achieve export expansion.

This program is not intended to displace cash sales, but is oriented to support, maintain, expand, and develop new overseas markets for U.S. agricultural commodities. USDA-approved sales are financed for periods of 6-36 months.

As of July 1978, interest rates charged by the program are 8.5 percent when U.S. bank guarantees are used and 9.5 percent for foreign bank obligations. Letters of credit issued by foreign banks must be fully advised and confirmed at least 10 percent by a U.S. bank.

Aggregate CCC lines of credit for Yugoslavia during 1968-77 totaled $170.2 million. Commodities financed and their total cash values were: Soybean oil ($62 million); wheat ($49.3 million); corn ($35.1 million); and cotton ($12.8 million). All lines provided 36-month repayment terms. (Equal annual repayments of principal plus accrued interest.)

Thus far in fiscal 1978, CCC credit financing has been extended to Yugoslavia for purchase of $29 million worth of soybeans (approximately 100,000 metric tons).

Poland is the second largest recipient of credit among countries in the CCC program.

Poland's purchases of U.S. farm products under CCC credit programs during 1962-77 totaled $582.3 million.

In fiscal 1978, Poland's CCC credit lines totaled $514 million for the financing of U.S. agricultural commodity exports.

Specific commodities and values are: Feedgrains ($229.7 million); wheat ($73.2 million); cottonseed, linseed, soybean meals ($98 million); soybeans ($35 million); soybean meal ($28 million); cotton ($15 million); tallow ($12 million); linseed oil ($7 million); vegetable oils ($6 million); soy protein ($5.8 million); and tobacco ($4.3 million).

All credit lines were extended on 3-year repayment terms.

Total CCC export financing extended to Romania from 1970 through 1977 was $158.2 million. Commodities included cotton, feedgrains, wheat, soybeans, and soybean meal.

In fiscal 1978, a $23-million-line of CCC credit to Romania was established for the purchase of approximately 100,000 tons of soybeans on 3-year repayment terms.

Until recently, Hungary was not eligible for CCC credit. However, prior to the passage of the 1974 Trade Act (1966-74), Hungary received a $5.8-million-line of credit, purchasing $1.4 million in breeder animals and $4.4 million in grain sorghum. Credit terms ranged from 12 to 36 months.

The President recently declared Hungary eligible for CCC credit, and as of July 7, the country enjoys MFN status.

Czechoslovakia has also been ineligible for CCC credit since the Trade Act. However, during 1966-67, credit use under the program totaled $8.9 million—entirely for the purchase of grain sorghum.

Bulgaria and the GDR are not eligible for, nor have they previously used, CCC credit financing.

- Export-Import Bank of the United States. An entirely U.S. Government-financed banking operation established in 1945, the Export-Import Bank finances and facilitates U.S. exports.

Functions of the Export-Import Bank

The Export-Import Bank supplements and encourages, but does not compete with private banks in promoting export trade. The prevailing policy of the Bank, however, discourages extension of credit in financing exports of farm commodities because they are more appropriately handled by CCC short-term credits.

With the exception of a $75-million credit extended annually to the Japanese textile industry in its purchase of U.S. cotton and some financing of cattle, the Export-Import Bank engages in no other farm commodity financing.

Under the provisions of the U.S. Trade Act that affect extension of U.S. credit to East European nations, the only socialist nations that currently qualify for Export-Import Bank loans are Poland, Romania, and Yugoslavia.

- Foreign Credit Insurance Association (FCIA). The FCIA—a consortium of some 50 of the Nation's leading private insurance companies—cooperates with the Export-Import Bank to cover commercial and political risks for short-term and medium-term export credit transactions. The commercial banks and the FCIA are guaranteed by the Export-Import Bank against all political risks taken on both the insurance programs and the commercial bank guarantee programs.
- Overseas Private Investment Corporation (OPIC). Formally organized in 1971, OPIC functions under two main programs—to insure U.S. private investments in less developed countries against certain political risks and to finance the investigation and development of projects of U.S. investors in these countries.

As a U.S. Government-financed organization, commitments, obligations, and payment performances rest with the United States, even though OPIC's status stipulates that OPIC must undertake to "conduct financing, insurance, and reinsurance operations on a self-sustaining basis" and "conduct its insurance operations with due regard to principles of risk management."

OPIC focuses on long-term U.S. commercial investments abroad in viable projects, such as facilities, plants, and other projects having accountable capital inventories. OPIC is not involved in any trade financing or in commodity trade credit.

However, OPIC and CCC have announced a joint effort to stimulate exports of agricultural commodities. OPIC provides loans, loan guarantees, and political risk insurance for U.S. private investors in developing countries for the financing of agricultural marketing facilities.

Working capital will be provided through the financing of U.S. agricultural exports under the CCC Export Credit Sales Program.

A similar joint effort between CCC and the Export-Import Bank in the area of agriculture is also being programed.

Of the East European countries, only Yugoslavia

Representative or Branch Offices of Commercial Banks in East European Countries

Country and capital	Bank
Bulgaria (Sofia)	Banco di Napoli (Italy)
Germany Democratic Republic (East Berlin)	Credit Lyonnais (France) Societe Generale (France) Banco Commerciale Italiana (Italy)
Hungary (Budapest)	Citibank of New York [1] (United States) Creditanstalt Bankverein (Austria)
Poland (Warsaw)	First National Bank of Chicago-Rep. (United States) Banque Nationale de Paris (France) Credit Industrial et Commercial (France) Banco Commerciale Italiana (Italy)
Romania (Bucharest)	Manufacturers Hanover Trust Company of New York—Branch Office (United States)
Soviet Union (Moscow)	Bank of America (United States) Chase Manhattan Bank, NA (United States) Citibank of New York (United States) Commerzbank (Federal Republic of Germany) Deutsche Bank (Federal Republic of Germany) Dresdner Bank (Federal Republic of Germany) Kansallis Osake Pankki (Finland) Banque de Paris et des Pays-Bas (France) Banque Nationale de Paris (France) Credit Lyonnais (France) Societe Generale (France) Banca Commerciale Italiana (Italy) Banca di Napoli (Italy) Banca di Roma (Italy) Credito Italiano (Italy) Nordiska Foreninstaken (Norway) Svenska Handelsbanken (Sweden)

[1] Not yet resident.

Official Designations of National and Foreign Trade Banks in the Socialist Countries of Eastern Europe

National bank	Foreign trade bank
Bulgarska Narodna Banka (Bulgarian National Bank)	Bulgarska Vunshnoturgovska Banka (Bulgarian Foreign Trade Bank)
Statni Banka Ceskoslovenska (State Bank of Czechoslovakia)	Ceskoslovenska Obhodni Banka (Commercial Bank of Czechoslovakia)
Deutsche Staatsbank (German Democratic Republic State Bank)	Deutsche Aussenhandelsbank AG (German Democratic Republic Foreign Trade Bank)
Magyar Nemzeti Bank (National Bank of Hungary)	Magyar Kulkereskedelmi Rt (Hungarian Foreign Trade Bank, Ltd.)
Narodowy Bank Polski (National Bank of Poland)	Bank Handlowye w Warszawie SA (The Commercial Bank in Warsaw)
Bancá Nationala a Republicii Socialista Romania (National Bank of Romania)	Banca Romana de Comert Exterior (Romanian Foreign Trade Bank)
Narodna Banka Yugoslavije (National Bank of Yugoslavia)	Jugo Banka (Yugoslavia Foreign Trade Bank)
Gosbank USSR (State Bank of USSR)	Vneshtorgbank (Bank of Foreign Trade of USSR)

and Romania have been extended OPIC facilities financing thus far.

U.S. commercial banking interests. In their trade with the West, East European countries have looked carefully at credit available from commercial banks of the West.

East-West trade rose from a volume of $13 billion in 1970 to $48 billion in 1976. U.S. agricultural exports have benefited significantly from the development, bringing about a strong need for financing.

West European and U.S. commercial banks have been vital to this phase of the development in East-West trade. U.S. banks are moving toward more assertive participation in these markets as their business increases.

Except for the USSR and Romania, U.S. banks operating in Eastern Europe do not have branch bank status, but rather representative status.

U.S. banks, therefore, function largely in trade servicing of clients and are precluded from providing full banking support. The administration of trade financing is accomplished principally via the domestic bank.

Most U.S. banks engaged in East-West trade operate largely from their branches in European financial centers—such as London, Paris, Frankfurt/Main—or from East-West trade centers such as Vienna. The only East European nation that permits a foreign bank branch to operate within its national boundary is Romania.

West European banks, such as those of Austria, France, West Germany, Italy, and the United Kingdom have offices under representative status in most East European countries.

In view of export opportunities, U.S. regional banks, particularly those in farm communities or associated with agricultural production, recently have become increasingly interested in East-West trade financing. Their participation in East European export financing representing clients is basically being accomplished through large bank syndications. For a very few, direct communications have been established with the foreign trade banks in socialist countries.

U.S. firms trading with Eastern Europe, therefore, have several options in arranging trade financing:

- Use U.S. banks to tap services available through West European commercial banks;
- Directly contact West European banks handling trade financing with socialist countries; or
- Deal directly with East European banks.

International trade in commodities such as grains and soybeans is normally transacted on short-term credit. However, Western banks are finding themselves under increasing pressure from socialist countries for substantially longer credit terms. Although banks vary in these decisions, the majority of U.S. banks now appear receptive to 1-year credit on most farm product trade.

Some even have considered extension to as much as 2 years on items such as livestock, but they have not—as yet—accepted socialist country demands for 3-year terms.

Long-term U.S. financing is largely in the sphere of Government programs, which generally are not available at this time to Eastern Europe. □

Japan's LIPC Stabilizes Beef Prices, Maintains Import Controls

By Gary Groves

Japan has a strict import control system for beef—designed to help stabilize domestic beef prices. Maintenance of these import controls and development and promotion of Japan's livestock industry are the primary responsibilities of the Japanese Livestock Industry Promotion Corporation (LIPC).

The Corporation—a quasi-Governmental institution established in 1961 and closely tied to the Japanese Ministry of Agriculture and Forestry (MAF)—has expanded its duties in recent years from concentrating on the domestic dairy and pork sectors to becoming involved in the beef market and receiving the majority of the general beef quota allocation.

Since the petroleum crisis and the sudden increase in feed prices in 1973, the LIPC has become increasingly involved in the Japanese domestic beef industry. In that year, Japanese beef cattle producers faced an extremely difficult situation—many farmers had borrowed heavily both to expand their cattle fattening activities and to purchase feeder calves.

At that time, the LIPC did not have the authority to support domestic beef prices. However, in 1975, the Japanese Government adopted a price stabilization program for beef similar to the program for other livestock products. The responsibility for implementing this program was given to the LIPC.

Prior to the beginning of each Japanese fiscal year—(JFY)—(April-March) the MAF receives price recommendations from the Livestock Industry Promotion Council, which is composed of producer, distributor, and consumer representatives.

The MAF then determines two sets of wholesale ceiling and floor prices—one for Japanese beef breeds and one for other cattle that are primarily of the dairy breeds. Prices are set for the second grade carcass of each.

If the wholesale market price for second grade beef carcasses falls below the floor price, the LIPC purchases beef at wholesale markets or from producer associations and places it in cold storage or subsidizes the cost of storage.

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If the wholesale market price rises above the ceiling price, the Corporation sells stored beef. The sale of stored beef also can be made when the market price is between the floor and ceiling levels.

Since the inception of the program in 1975, no purchase of domestic beef has been made. The stored beef that the LIPC uses to stabilize the domestic market has been imported beef.

Japan is the largest market for U.S. beef and veal exports. In 1977, the United States exported 20,198 tons (product weight) of beef and veal, valued at $52.5 million, to Japan. This accounted for nearly one-half of total U.S. beef and veal exports in 1977.

In JFY 1978, the ceiling price for second grade dairy steer carcasses is about $6.70 per kilogram, while the floor price is about $5.00 per kilogram. For native Japanese beef cattle, such as Wagyu, the floor to ceiling price range in 1978 is $6.20 to $8.00 per kilogram.

These stabilization prices are the same as they were in JFY 1977, when average market prices for cattle generally remained within their floor and ceiling levels.

After reviewing the domestic supply situation, the MAF determines semi-annual beef import quotas. Allocations are made under both a general quota and several special quotas—such as for the school lunch program and for international hotels.

The LIPC receives about 90 percent of the general quota. In JFY 1977, the LIPC received 73,000 tons of the 80,000-ton general beef quota. This is in contrast to the late 1960's, when the private trade received the larger portion of the general quota. The LIPC share of the quota is imported either on a tender basis or by the one-touch method.

The tender system is used primarily for imports of frozen beef. After reviewing the domestic supply and demand situation, the LIPC determines the quantity and type of beef imports needed to maintain an appropriate stock.

Japanese importers are notified as to the various cuts desired by the LIPC and the geographic areas from which this meat should originate. Importers then may submit bids to the LIPC, showing cuts, grade, origin, delivery time, quantity, and price. Only registered and approved importers can participate in LIPC tenders, and imports must originate in countries approved by the MAF. Importers are allocated tonnages based on the lowest price.

The LIPC maintains stocks of imported beef at the port of arrival, and releases these stocks to endusers by means of an auction at wholesale meat markets or fixed-price sales to designated organizations. These beef sales are regulated in such a way as to keep the fluctuations of the wholesale prices of domestic beef within the stabilization price range determined by the MAF.

The LIPC determines a minimum price in the case of auctioned release and a set price for fixed-price release. The difference between the purchase and sale price is profit for the LIPC that can be used to finance development and promotional activities.

The one-touch system is applied mainly to chilled beef, which must be delivered to endusers within a minimum period of time. If it is determined that chilled beef must be imported to bring domestic prices down, the LIPC works out monthly arrival plans about 2 months in advance, and makes allocations to designated associations of endusers. At the same time, the LIPC sets target purchase prices on different cuts of meat. Purchase prices for endusers are determined by adding surcharges to the importer's c.i.f. quotations.

For example, an import firm that is importing beef under the one-touch system receives a quotation from a foreign supplier and checks with the LIPC to determine if the price is below the target price—which is held confidentially by the LIPC. If the price is below target, the LIPC accepts; if the price submitted by the importer is above the target, the LIPC rejects the transaction.

By using the one-touch method, shipping and delivery plans can be worked out between exporter, importer, and enduser to assure quick delivery of the product to the enduser and to maintain the quality of the chilled beef. At the same time, the LIPC retains control of the quantity and price by requiring all documentation to be channeled through the Corporation.

As with the tender system, only registered and approved importers and endusers may purchase imported beef under the one-touch system. As of October 31, 1977, there were 2,279 meat retail stores in Japan that were designated by the LIPC to handle imported chilled beef. This represented only 6.4 percent of Japan's 34,475 meat retail outlets.

The majority of the designated stores were Mom-and-Pop type stores—small meat shops that traditionally have been in the meat business. The remainder are department stores, chain stores, and self-service stores that sell meat as just one of many retail items.

The surcharge levied against beef imported under one-touch system is intended to keep imported beef prices in line with domestic prices. The surcharge varies by fresh and frozen cut, ranging from about $1.40 per kilogram for chilled, bone-in full forequarters to about $3.20 per kilogram for chilled, boneless full hindquarters. Revenue collected from the surcharge are used by the LIPC in its development and promotional activities of the domestic livestock industry.

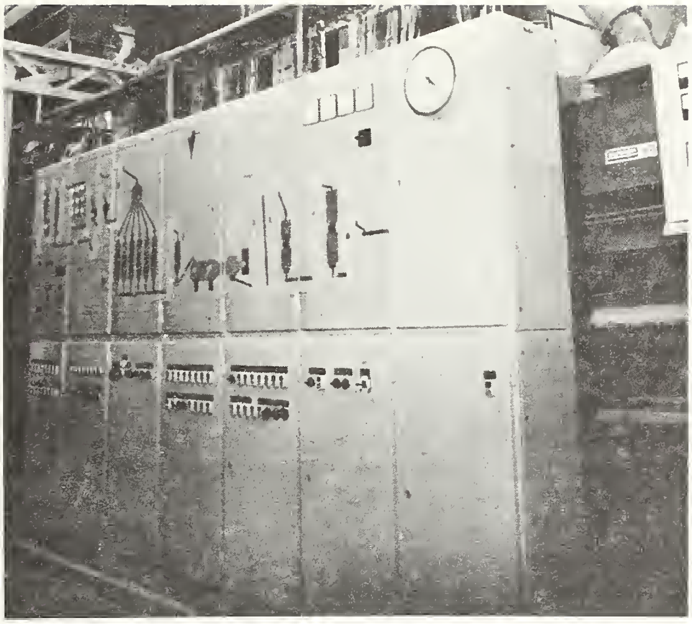
In JFY 1976, the LIPC posted a net operational profit of about $135 million through purchasing 70,378 tons of beef and releasing 77,389 tons of imported beef. Of the total amount of imported beef purchased, 21,218 tons were imported under the tender system and 49,160 tons were under the one-touch system.

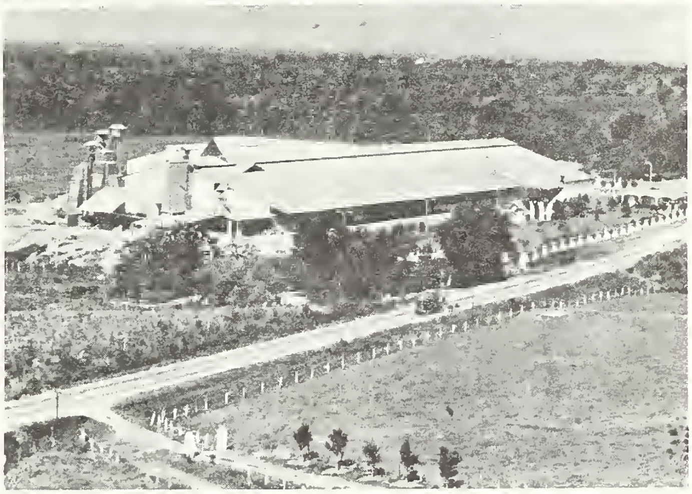
Most of the profits from the purchase and sale of imported beef are shifted to the subsidy program account within the LIPC. This account is used to subsidize various livestock-related programs and to supply capital for selected livestock-related organizations.

In JFY 1976, the program to subsidize part of the interest rates on loans to beef producers received the largest share of the funds. Some other major uses included: Paying incentives money to milk producers in addition to Government deficiency payments of factory milk; subsidizing the purchases of machinery and equipment to be leased by the Livestock Environmental Protection Association; and supplying capital for selective beef and dairy farm products. □

Colombia To Export Parboiled Rice

By Alfred R. Persi





Clockwise from top left: Colombia's recently opened parboiled rice factories are equipped with machines and control equipment from Taiwan, West Germany, and the United States; rice washing equipment; and exterior view of plant.

Colombia's parboiled rice industry was off and running in 1977 as two of the country's grain companies opened facilities not far from Bogotá. Both companies are looking overseas for their major markets. Although rice is a staple food, most Colombian consumers prefer traditional type rice instead of the new parboiled kind.

Despite their desire to penetrate export markets, the Colombian companies may have difficulty doing so since a number of countries, including the United States, are well-established suppliers and will provide stiff competition for the newcomers. The overseas success of the Colombian product will largely depend on its selling price and quality.

And since the two companies—Union Molinera, S.A., a milling firm, and Soceagro, one of the country's major cultivators, processors, and exporters of conventional white and brown rice—use the domestic rice variety CICA-4 as its raw material, there is little opportunity for the United States or other rice suppliers to boost rice exports to Colombia to supply the processing industry.

CICA-4 is grown in sufficient quantity to meet current needs of the rice parboilers and production can probably be expanded to take care of future needs.

Both the Union Molinera plant, located in the city of Duitama, 198 kilometers from Bogota, and the Soceagro plant in Villavicencio, 128 kilometers away, are equipped with up-to-date equipment.

In the case of Union Molinera, much of the machinery comes from Taiwan and West Germany, while its electronic rice classification equipment is from the United States. The Soceagro plant has equipment of both domestic and foreign origin.

The Union Molinera plant has an installed parboiled rice production capacity of 500-600 metric tons per month, 6,000-7,200 tons a year. The site also includes facilities for wheat and corn milling.

Twenty-eight persons are employed at the Duitama plant and are engaged in washing, cooking, classifying, and packaging operations. The plant operates for 21 consecutive days, with a 4-day hiatus for machine maintenance and employee rest.

The company buys its domestic paddy rice from the Departments of Cesar, located on Colombia's Caribbean coast, and Meta.

Although Union Molinera's chief goal is to penetrate the export market, a long-term aim is to build a domestic market for its product. But the lead held by traditional rice—a diet staple whose direct consumption in 1977 was 795,000 tons and is expected to reach 835,000 tons in 1978—will be hard to overcome.

In an effort to swing domestic consumers over to the new product, Union Molinera distributed samples to consumers totaling 80 metric tons in late 1977. In March 1978, the company conducted a more intensive promotional campaign.

The author was until recently U.S. Agricultural Attaché, Bogotá.

Results of these campaigns have been minimal as yet, but the company realizes it may take several years before the domestic market is penetrated in a meaningful way.

Union Molinera plans to export about half of its parboiled rice production each year. The firm did not export any of its product in 1977, and in fact, Colombia had to import 62,000 tons of rice to make up a crop shortfall, despite the country's recent role as a surplus producer and net exporter of rice.

In March 1978, Molinera exported 1,000 tons of parboiled rice to Lagos, Nigeria. The firm also is looking for export markets in Europe and neighboring South American countries, such as Venezuela.

Union Molinera exports its product through the Port of Santa Marta on Colombia's northern coast.

Installed plant capacity at the Soceagro plant is 80,000 tons annually. The plant employs 500 workers and operates on a continuous daily basis, closing 3 days a month for machine/equipment servicing and repair and to allow workers a rest period.

Soceagro buys its CICA-4 rice from the Department of Meta. Officials of the firm have stated the company buys its paddy on the Colombian market to avoid paying overseas freight costs. But in October 1977, Soceagro imported 4,000 tons of U.S. Labelle rice because it was cheaper than domestic grain.

This rice was imported duty free since the Government permits raw materials to be imported free of duties, licensing requirements, or prior deposit, so long as the materials are to be used in a finished product for export. The purpose of these exemptions is to stimulate nontraditional exports by Colombians, particularly exports of finished products. In keeping with this policy, the Colombian Government gives exporters a 12-percent tax rebate.

While agreeing there is a possibility that sales to the domestic market can be increased, Soceagro believes success there will necessitate intensive publicity and market testing campaigns. In the meantime, the company expects to export 30,000 tons of parboiled rice this year, with sizable shipments going to Europe, the Middle East, and the Caribbean.

In February 1978, Soceagro exported 4,000 tons of parboiled rice to Italy. At the end of March, the company shipped another 4,000 tons to the same country.

This year's performance is in marked contrast with that of last year when no exports were made. In 1979, Soceagro hopes to increase its parboiled rice exports to 36,000 tons.

Although it is equipped to process medium- or long-grain rice, the plant uses only long-grain rice to meet foreign preferences.

The Soceagro plant exports primarily through the same port as Union Molinera, moving its product from Villavicencio to Bogota by truck, and from there to the Port of Santa Marta by train.

Because of a train bridge collapse in northern Colombia at the end of 1977, the company has been temporarily shipping through the port of Buenaventura, located on Colombia's Pacific coast. The export price at Buenaventura was $500 per ton, f.o.b. basis. □

Set-Aside Seen Stabilizing U.S. Wheat Trade, Stocks

With the goal of avoiding wide swings in U.S. wheat prices and supplies, Agriculture Secretary Bob Bergland on August 15 announced a 20-percent set-aside program for 1979-crop wheat. The new program, little changed from that in effect this year, should likewise avoid a buildup of U.S. stocks.

Current projections place value of U.S. wheat exports at $4.1 billion in 1979/80, compared with $4.2 billion forecast for 1978/79 and $3.8 billion estimated for 1977/78.

Under the 1979 program, farmers must set aside 20 acres for every 100 planted to wheat if they are to qualify for program benefits.

- The market support price, or loan rate, of $2.35 a bushel;
- Deficiency payments to make up the difference between the average market price during the first 5 months of the 1978/79 marketing year and the target price of $3.40 a bushel; and
- Disaster-payment coverage.

The loan rate and target price are the same as those prevailing for the 1978 crop.

Participants who reduce 1979 wheat area 15 percent below their 1978 plantings will be eligible for target-price coverage on 100 percent of their area.

The one change from the 1978 program is the exclusion of payments for grazing out or haying of planted wheat area. However, the Secretary may review this decision later in the 1979 season.

One major goal is to trim U.S. wheat stocks to around 31 million tons by June 1, 1980, or slightly below those projected for June 1, 1979, and 7.5 percent of projected world wheat use. The United States is committed to maintain a wheat reserve of 15 millon tons, including a 4-million-ton special emergency reserve to meet U.S. food aid commitments.

The set-aside, if used to the optimum, should keep U.S. wheat output some 6 million tons less than under unrestrained production and maintain prices at about the expected 1978/79 average level—estimated at $2.75 a bushel, compared with $2.31 in 1977/78. In contrast, unrestrained wheat output could cause a substantial buildup in U.S. stocks and reduce domestic wheat prices by about 10 percent.

World wheat production, meanwhile, has continued to increase. Current forecasts place world production in 1978 at 413 million tons, or 8 percent more than last year's even though the U.S. crop is expected to decline 11 percent to 49 million tons.

World consumption in 1978/79 is projected some 1-2 percent below production, pointing to some rebuilding of stocks. □

Citrus Export Volume Rebounds in Australia

Australia's citrus exports during the 1977/78 marketing year (April-March) recovered significantly from the previous-year levels to about 22,900 metric tons, according to the U.S. Agricultural Attaché in Canberra, reflecting an end to the dock labor problems and quarantine rejections in New Zealand that hampered 1976/77 exports.

Imports of citrus fruit—mainly from California—again were small in 1977/78. Grapefruit accounted for the bulk of the imports, although a few containers of lemons were imported to offset the shortfall in New South Wales that resulted from a poor coastal summer crop.

Domestic grapefruit and lemons are now available, and it is unlikely that there will be any further imports of fresh citrus until February 1979. Importers indicate that their 1977/78 shipments of grapefruit and lemons from the United States were of excellent quality, and that their transactions were generally profitable.

Exports of mandarins during 1978/79 are expected to remain at about 5,000 tons, while exports of lemons may recover to about 500 tons as a result of increased availabilities. However, little change is in prospect for grapefruit exports, which are expected to remain at about 400 tons.

Of the 22,900 tons of citrus fruit exported during 1977/78, oranges accounted for 17,300 tons. This fruit went principally to New Zealand, with smaller but significant quantities moving to Hong Kong, Malaysia, France, the Netherlands, West Germany, and Sweden. Canada was the major market for mandarin exports, which totaled 4,900 tons. France was a major European buyer of Australia's grapefruit exports, and Singapore took the largest share of the 300 tons of export lemons.

Following temporary assistance to the citrus industry last year by imposition of a 65 percent ad valorem duty on orange juice, Australia's Industries Assistance Commission was authorized to study the entire industry and recommend levels of protection.

The Commission on March 26 released its report, recommending a duty of 20 percent on all citrus juice except lime juice and payment of a bounty on juice produced from domestic oranges of 5 Australian cents ($A1= US$1.146) per liter in the first year, 3 cents in the second, and 1 cent in the third and final year.

However, it is questionable whether the Government will accept these recommendations, as the level of tariff protection recommended is opposed by the industry as inadequate and the prospect of paying out $A8 million in bounties over the next 3 years has little appeal to a Government practicing budgetary stringency.

To overcome some of these problems, the Government may consider a sliding-scale ad valorem tariff with a duty determined by the f.o.b. value of the product, or reimposition of import quotas.

The outlook for the 1978/79 season is for somewhat lower production, largely because of smaller valencia crops. Navel orange outturns are expected to recover from 1977/78's 123,000 tons to about 131,000 tons. On the other hand, valencia setting appears to be variable and relatively light, compared with the 1977/78 season's heavy crop in some major producing districts.

Production of valencias in New South Wales is expected to be well below the 1977/78 level, while outturns in Victoria and South Australia also are expected to be less than the previous year's total. A crop of about 208,000 tons seems likely.

The mandarin crop for 1978/79 is expected to be somewhat better than the previous year's, as yields in Queensland probably will recover to their normal level. In other States, yields should be fairly good, as growers are using thinning sprays to ensure sizing of the crop.

Grapefruit production also will be somewhat higher in 1978/79 than in 1977/78, mainly because of new plantings that are now reaching the bearing stage. Improved moisture conditions in the New South Wales coastal areas should result in a larger lemon crop than in the previous year. Total output should be about 38,000 tons.

Australia's domestic demand for citrus juice—mainly orange juice—has increased nearly 20 percent annually since the early 1970's. This high rate has been maintained in the past 2 years despite relatively depressed economic conditions and high unemployment. Consequently, a further rise in consumption may be expected during the next few years.

Australia's per capita consumption is estimated at about 9 liters of pure fruit juice equivalent per annum, compared with 21 liters in the United States.

The gains of recent years have been largely the result of rising real incomes and fairly stable prices. However, the imposition in 1977 of a 65 percent ad valorem tariff on imported concentrates, coupled with higher world prices following the Florida crop shortfall, has led to higher import prices and domestic processing fruit prices.

Consequently, retail prices for fresh and reconstituted juice have risen substantially in recent months and may rise further in the coming year. Whether consumption growth can be maintained under these circumstances remains to be seen. □

U.S. Farm Export Value In October-June Hits Record $20.5 Billion

By Sally Breedlove Byrne

Although exports of U.S. farm products during October 1977-June 1978 at a record $20.5 billion were 8 percent higher in value than in the comparable 1976/77 period, the most impressive gains of the latest 9-month period occurred during March-June, when overseas shipments climbed a sturdy 21 percent above the year-earlier level.

The higher value was largely a result of expanded export volume of wheat, soybeans and products, and feedgrains. Export unit values were generally lower, on average, during the October-June period.

Wheat's unit value dipped 5 percent to $119 per ton, and the feedgrain unit value declined 7 percent to $102.

The soybean unit value dropped 17 percent to $239 per ton, and the unit value for cotton went down 17 percent to $280 per 480-lb bale.

Export unit values averaged higher for a number of important commodities, including tobacco (up 12 percent), rice (up 26 percent), meat (up 14 percent), cattle hides (up 14 percent), and fresh fruit (up 21 percent).

The greatest growth in agricultural exports during October-June was in shipments to the USSR, Eastern Europe, Latin America, and the People's Republic of China.

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Disappointing crops in these regions in 1977/78 increased requirements for imported grains and oilseeds. Shipments also expanded to most other areas except the European Community (EC), Canada, and India.

U.S. soybean exports jumped 23 percent in volume during October-June. Exports were boosted by large U.S. supplies, more favorable prices relative to feedgrain prices, and the expansion in foreign livestock industries. In recent months, U.S. exports were spurred by the shortfall in the Brazilian soybean crop.

Shipments of U.S. soybeans to the EC were up 20 percent to 7.7 million tons, and shipments to Japan were up 21 percent to 3.14 million tons. Shipments to Spain and Portugal scored strong increases, and exports to Israel rose.

U.S. soybean exports to the developing countries expanded by 40 percent, mainly because of larger shipments to Mexico, Indonesia, Taiwan, and Korea. Shipments to Eastern Europe rose, but exports to the USSR were down 16 percent.

Exports of U.S. oilcake and meal outpaced soybean exports. Increases were recorded for shipments to most major markets.

U.S. vegetable oil exports rose 25 percent in volume during the first 9 months of fiscal 1978. The shipment of 91,000 tons of soybean oil to the PRC accounted for a large part of the increase.

Vegetable oil exports to Latin America, Western Europe, and Pakistan were up during October-June. Shipments to India declined 14 percent in volume.

U.S. wheat exports in October-June recovered strongly from the low level of 1976/77. Most of the increase occurred in shipments to the developing countries, with gains also registered in exports to Western Europe, Eastern Europe, and the USSR.

U.S. wheat exports to Latin America more than doubled, reaching 5 million tons. Brazil accounted for most of the increase. Shipments also expanded to Mexico, Colombia, Venezuela, Iraq, Saudi Arabia, Pakistan, the Philippines, and Taiwan. Exports to Korea fell 17 percent, and to Egypt by 12 percent.

The West European wheat crop was of poor quality in 1977, and extensive wheat imports were required. U.S. wheat exports to the region rose 86 percent in volume. Shipments to Japan declined 4 percent.

Exports to the USSR rose 11 percent to 2.74 million tons. Exports of 238,000 tons were made to the PRC during October-June.

U.S. feedgrain exports rose 4 percent in value in October-June as the drop-off in shipments to the EC was offset by increases to most other areas.

Because of the recovery in EC feedgrain production in 1977, U.S. feedgrain exports to the region declined 49 percent to 7.7 million tons.

Shipments to the USSR rose from 2.82 million tons to 8.55 million in October-June. Large increases also were recorded in shipments to Japan (up 9 percent), Spain (up 40 percent), Taiwan (up 41 percent), Korea (up 32 percent), and Africa (up 27 percent). Direct exports to Eastern Europe jumped 68 percent in volume.

Farm Export Highlights

Following a slow start last fall, U.S. farm exports have been booming this year. Since March, exports have been running at a record 21 percent above the year-earlier value.

- Strong livestock industries abroad and the Brazilian crop shortfall have given great impetus to U.S. soybean and oilmeal exports.
- U.S. wheat exports were up by more than 6 million tons in October-June over the year-earlier period.
- Cotton export volume jumped a fifth, boosted by larger U.S. supplies, lower prices, and a reduced crop in the PRC.
- The People's Republic of China reentered the market for U.S. farm products. U.S. farm exports to the PRC totaled $198 million, mostly cotton, soybean oil, and wheat.
- U.S. agricultural exports to the USSR rose 55 percent to $1.5 billion and included 8.55 million tons of corn and 2.74 million of wheat.

The total rice export volume was unchanged in October-June, although there were many shifts among the major markets. Exports to developed countries fell almost a fifth, while exports to developing countries rose nearly a tenth.

U.S. tobacco exports dipped 3 percent in volume

during October-June. Shipments to the EC were down 3 percent to 83,600 tons. Shipments were up 37 percent to the United Kingdom and 8 percent to Italy but declined 34 percent to West Germany. Exports to Japan increased 11 percent to 51,400 tons.

An 8-percent volume decline was recorded in U.S. tobacco exports to the developing countries, largely because of smaller shipments to Korea, Egypt, and Thailand.

U.S. exports of animals and animal products increased 6 percent in value during October-June. Much of the increase was a result of larger shipments of poultry products and higher unit values for meat exports.

Meat export volume declined 4 percent. Larger beef shipments did not offset the drop in pork and variety meat exports. Meat exports were down 31 percent to Canada and 4 percent to the EC but were up 17 percent to Japan.

U.S. exports of animal fats and oils also declined 4 percent in volume during October-June. Shipments to the EC were down 29 percent, and shipments to Korea fell 35 percent. Shipments were larger to Latin America and Egypt.

The export value of hides and skins rose marginally in October-June. The value of furskin exports declined 4 percent. The 4-percent volume drop for whole cattle hides was offset by higher unit values. Volume declines were recorded to the EC (down 37 percent) and Eastern Europe (down 20 percent), but shipments increased to Japan, Korea, and Mexico.

October-June fruit exports were boosted by higher prices and expanded volume for many items. □

U.S. Agricultural Exports: Value by Commodity, October-June 1974/75–1977/78

Commodity	1974/75	1975/76	1976/77	1977/78	1976/77-1977/78
	Mil. dol	*Mil. dol.*	*Mil. dol.*	*Mil. dol.*	*Percent change*
Animals and animal products					
Dairy products	116	92	121	115	−4
Fats, oils, and greases	343	299	421	419	0
Hides and skins, excl. furskins	323	480	636	644	+1
Meat and meat products	264	455	453	496	+10
Poultry and poultry products	101	165	215	252	+17
Other	153	161	136	175	+29
Total animals and products	1,300	1,652	1,982	2,101	+6
Grains and preparations					
Feedgrains and products	3,897	4,634	4,321	4,191	−3
Rice	822	421	481	603	+25
Wheat and major products	3,832	3,516	2,187	2,811	+28
Other	95	110	113	113	0
Total grains and preparations	8,646	8,681	7,102	7,718	+9
Oilseeds and products					
Cottonseed and soybean oil	534	259	456	547	+20
Soybeans	2,457	2,547	3,836	3,976	+4
Protein meal	559	631	787	902	+15
Other	382	384	403	622	+54
Total oilseeds and products	3,932	3,821	5,482	6,047	+10
Other products and preparations					
Cotton, excluding linters	800	629	1,302	1,293	−1
Tobacco, unmanufactured	736	756	784	855	+9
Fruits and preparations	486	541	571	709	+24
Nuts and preparations	128	140	171	220	+29
Vegetables and preparations	446	717	571	506	−11
Feed and fodders	223	270	473	411	−13
Other	415	198	536	651	+21
Total products and preparations	3,234	3,251	4,579	4,645	+1
Total	17,112	17,405	18,974	20,511	+8

U.S. Agricultural Exports: Volume by Commodity, October-June 1974/75–1977/78

Commodity	1974/75	1975/76	1976/77	1977/78	1976/77-1977/78
	1,000 mt	*1,000 mt*	*1,000 mt*	*1,000 mt*	*Percent change*
Wheat and products	20,971	22,252	16,929	23,081	+36
Feedgrains and products	27,301	38,608	39,190	40,840	+4
Rice	1,928	1,298	1,567	1,567	0
Soybeans	9,072	12,990	13,514	16,649	+25
Oilmeal	3,208	4,027	3,546	4,648	+31
Vegetable oils	843	744	939	1,153	+23
Cotton, excluding linters	684	526	838	1,003	+20
Tobacco	224	223	216	210	−3
Total	64,231	80,668	76,739	89,151	+16

U.S. Agricultural Exports: Value by Leading Markets[1]

Country	1975/76	1976/77	1977/78	1976/77-1977/78
	Mil. dol.	*Mil. dol.*	*Mil. dol.*	*Percent change*
Japan	2,570	3,054	3,209	+5
Netherlands	1,356	1,804	1,691	−6
USSR	1,630	966	1,496	+55
West Germany	1,292	1,628	1,169	−28
Canada	1,067	1,233	1,146	−7
Korea, Rep. of	551	670	745	+11
Italy	603	725	729	+1
United Kingdom	524	748	683	−9
Spain	569	539	634	+18
Taiwan	420	488	545	+12

[1] Not adjusted for transshipments.

U.S.-ASEAN Cooperation Reflected in Trade, Aid

"... Food aid can become a multiple resource, not only in meeting food-gap and humanitarian feeding requirements, but also as a positive development resource," said Secretary Bob Bergland at the second ASEAN-U.S. Dialog (Washington, D.C., August 4). Excerpts from his remarks follow:

The goals of ASEAN[1] and U.S. aspirations for the ASEAN countries frequently come down to the most basic of agricultural issues—farm productivity, nutrition and health, ownership of land, water management, forestry, the welfare of people living on the land, and trade.

As a customer for ASEAN farm products, the United States is not only the largest market for those products but also the most open to the products produced and traded in Southeast Asia. U.S. agricultural imports from ASEAN countries amount to about $1.7 billion, which is 13 percent of total U.S. imports of food products. Since U.S. agricultural exports to ASEAN countries amount to some $700 million, this trade represents to the ASEAN group an agricultural trade surplus of approximately $1 billion.

The United States joins in support of ASEAN's priority objectives, which are in the areas of trade and commodity stabilization. This country strongly supports the general trade negotiations known as the Tokyo Round. It also supports an International Wheat Agreement, now being negotiated under UN auspices. Our goals in these efforts are to strengthen market access, reduce trade restrictions, and reduce the instability and uncertainty that the world has experienced in production and trade.

In addition to U.S. efforts on the international scene, we have in our domestic farm programs put a heavy priority on policies that contribute to world stability. For example, a major concern has been to develop a workable grain reserve program for our agriculture.

The United States has now established a program of farmer-owned reserve stocks of wheat, feedgrains, and rice. Through this program, the Government offers financial incentives for producers to withhold supplies of grain from the market during periods of relative surplus. These supplies are then released during periods of relative shortage. The program will contribute substantially to price stability and to security of supply. Currently, about 10 million metric tons of wheat and about 4.4 million tons of feedgrains are being held in the farmer-owned reserve program. We have set no limits on the quantity of grain that can go into this reserve.

Also, Congress is considering legislation that would create an International Emergency Wheat Reserve. This reserve stock of up to 6 million tons would be used to ensure that the United States can meet priority food aid commitments. The new legislation would also provide authority to adjust this special reserve stock program, if necessary, to meet any U.S. obligations under a new International Wheat Agreement.

The new agreement, which we hope will be formally negotiated in November, will contain two conventions. The Wheat Trade Convention will be designed to moderate extreme price swings in the world wheat market. The Food Aid Convention will seek to satisfy the World Food Conference target of a minimum 10 million tons of grain for food aid annually.

A central mechanism to stabilize prices and to improve food security under the Wheat Trade Convention will be a system of wheat reserve stocks that we hope will be established at a global level of 30 million tons. These reserves would be operated under internationally agreed rules but would be established and maintained under national administration or, in some cases where efficiency is greater, under regional management.

Toward that food aid goal, the United States has pledged itself to commit a minimum of 4.47 million tons of grains annually under a new convention. This would more than double the current U.S. commitment. We have also proposed a new Special Provision for Emergency Needs, under which donor countries would increase their food aid up to 20 percent above their basic commitments in times of special needs by developing countries.

[1] Association of Southeast Asian Nations (Singapore, Philippines, Thailand, Malaysia, and Indonesia).

Pakistan's Cotton Export Supplies Jump

A drop in Pakistan's domestic cotton use combined with a much larger crop has greatly enlarged the country's exportable supplies for the 1977/78 marketing year (September-August). In the first 8 months of the just-ending season, cotton exports have rebounded sharply from the drastically reduced level of 1976/77.

Preliminary projections point to a further rise in cotton production and export supplies for 1978/79 as the Government focuses more on the cotton situation in an effort to bring production back to the levels of the past. Pakistan is Asia's fourth largest cotton producer.

Pakistan's domestic mill use of cotton in 1977/78 is estimated at 1.57 million bales (480 lb net), compared with 1.73 million bales in 1976/77. The country's textile industry claims that Government pricing policy and competition from other Asian countries—some of which are manufacturing cotton goods from lower priced Pakistani raw cotton—are preventing domestic offtake from expanding as had been expected earlier.

As of July 1977, the Textile Commissioner's Orga-

Based on reports from Office of U.S. Agricultural Attaché, Islamabad; and Cotton and Tobacco Division, Commodity Programs, FAS.

If this Food Aid convention with the Special Provision for Emergency Needs is negotiated and ratified by the United States, we would then be obligated by treaty to provide at least 4.47 million tons of grain for food aid each year and perhaps as much as 6 million tons under certain circumstances. The proposed International Emergency Wheat Reserve now before Congress will help assure that the United States can meet these commitments.

Another development is the special 500,000-ton international emergency food reserve set up on a temporary basis following the World Food Conference. In Mexico City, at the World Food Council meeting in June, the United States indicated it would support the establishment of the 500,000-ton reserve on a continuing basis with yearly replenishment. This is another important means of combatting the spread of malnutrition and hunger among the world's poor nations.

Finally, the recent decision by ASEAN to establish a regional rice reserve should also help to contribute to greater food security. We are interested in learning more about the proposed reserve. We would be prepared to engage in technical discussions with ASEAN with a view to assisting ASEAN in its endeavors to establish regional rice reserves, if ASEAN so wishes.

The United States is encouraged by the positive efforts of the ASEAN member countries in increasing agricultural production. And as the economies of the member countries continue to strengthen and grow, we look forward to supplying a share of your increased commercial agricultural import demands. However, it appears that even with increased production and increased levels of imports, for the intermediate terms, at least, there will continue to be a need for food aid. Exports to ASEAN countries under P.L. 480 amount to just under $200 million.

In the programming of food aid, my country is becoming more and more convinced that, if programmed carefully, food aid can become a multiple resource, not only in meeting food-gap and humanitarian feeding requirements, but also as a positive development resource. The plan, therefore, is to work closely with the ASEAN member countries both through multilateral and bilateral channels to assure that generated local currency or the food itself is targeted in support of policies or projects designed to promote development.

The new U.S. Food for Development Program (Title III of P.L. 480), authorized just last year, provides for a waiver of loan repayments when food aid resources are used in support of agreed-upon development policies and projects. Although the program is new, with many details to be worked out, we have had substantive discussions on potential Title III projects with several countries, including some of your member countries. □

nization reported that the number of spindles working were 73 percent of installed capacity (the same as the previous year), but the number of looms in operation stood at 67 percent of capacity, compared with 79 percent a year earlier.

Stocks were low at the beginning of the 1977/78 cotton year, owing to two poor crops in a row. However, the tight supply situation should improve.

The country's lower cotton consumption this season has resulted in a buildup of around 800,000 bales available for export and stocks in the 1977/78 season. From September 1977 through April 1978, Pakistani cotton exports totaled about 331,000 bales, including 32,000 bales of short-staple desi cotton.

500,000-Bale Exports

Estimated exports for the full 1977/78 season are now around 500,000 bales (up from the previous estimate of 353,000), representing a sharp rise from the low level of 65,000 bales exported in 1976/77. Exports totaled 418,000 bales in 1975/76.

Major current markets for Pakistani upland cotton include Hong Kong, Japan, the Philippines, Indonesia, and Bangladesh. Desi cotton exports are almost entirely shipped to Japan.

Cotton has always been a major source of Pakistan's foreign exchange earnings, but the value of the country's cotton exports fell from $156 million in 1975 to $48 million in 1976 and $31 million in 1977. As an export earner last year, cotton ranked with fruits and vegetables far below rice.

In recent years, much of Pakistan's cotton crop has been exported in the form of textiles rather than raw cotton. For instance, exports of cotton yarn and cloth in 1976 were the equivalent of about 750,000 bales.

Pakistan's cotton imports are negligible. But imports of manmade fibers rose from 7,888 tons in the fourth quarter of 1976 to 16,555 tons in the last quarter of 1977. On January 1, 1978, Pakistan increased the import duties on yarns from manmade fibers in hopes of cutting back the import flow.

Current estimates of Pakistan's 1977/78 cotton production and area remain unchanged at 2.4 million bales from 1.8 million hectares. Cotton output is showing an upturn following the poor harvest of 1.9 million bales in 1976/77. Annual production is expected to rise only moderately over the near term as the Government puts priority on boosting yields while holding planted cotton area near present levels, in order to shift more land to wheat, the country's major food.

Complaining about the prices at which Pakistani cotton is being sold on world markets, the country's cotton traders are currently campaigning for the freeing of cotton exports and reopening of the cotton exchange in Karachi. Contending that no other country in the world sells cotton at such low prices, traders said Pakistani cotton was selling at about 7 cents per pound below world prices in March.

Concern Over Sugar Mills in Cotton Areas

In other developments, both the Pakistan Central Cotton Committee and the Karachi Cotton Association (KCA) have recently expressed new concern about Government policy under which new sugar mills are being set up in cotton-growing areas. The KCA maintains that since sugarcane requires three times as much water as cotton, every additional hectare of sugarcane could reduce the area sown to cotton by 3 hectares. □

Brazil, Japan Discuss Trade and Investments

A recent Brazil-Japan economic seminar to widen commercial interests between the two countries focused on the three major themes of large scale joint-venture projects, investment opportunities in Brazil, and bilateral trade, including agricultural products, according to reports from the U.S. Embassy, Tokyo.

Participating in the seminar, held in Tokyo on May 30-31, were more than a hundred Japanese businessmen representing trading firms, banks, and manufacturers and some 40 Brazilian Government officials and businessmen.

At a press conference on the last day of the seminar, Brazil's Planning Minister Velloso indicated that final signing of agreements to establish three joint companies in Brazil was scheduled to take place in Brazil in June. One of the joint companies will promote agricultural development of 50,000 hectares in the Brazilian State of Minas Gerais for growing soybeans, corn, wheat, coffee, and possibly milo for domestic and export use.

Velloso also said Brazil would like for Japan to import more Brazilian goods, including farm products, agri-business equipment, and other finished products. In this connection, he added, Brazil is prepared to sign a long-term contract with Japan to continue to supply the Japanese with minerals and agricultural products.

In addition, Velloso said Brazil welcomes Japanese investments in such fields as iron and steel, petro-chemicals, paper/pulp, nonferrous metals, chemical fertilizers, and agri-business as well as in sectors where no competition between these two countries exists.

However, a representative of Japanese businessmen at the meeting expressed concern over recently introduced Brazilian restrictions on foreign capital investments, describing these as "likely to continue to be a serious problem to economic relations between Japan and Brazil." To date, little is known about Japanese investments in Brazil.

According to data from the Japan Tariff Association, Ministry of Finance, trade between the two nations in calendar 1977 climbed to $1.8 billion from $1.7 billion in 1976. Japan's exports to Brazil totaled $840 million last year while Japanese imports from Brazil amounted to $947 million.

The bulk of the farm trade consisted of Japanese imports from Brazil, totaling $350 million last year and headed by coffee, sugar, soybeans, and soybean meal.

Top Japanese farm imports, c.i.f., from Brazil were: Coffee ($167 million); instant coffee ($11 million); unrefined sugar ($36 million); soybeans ($14 million) and soybean meal ($20 million); horsemeat ($24 million); cotton ($16 million); cocoa beans ($11 million); and cocoa butter ($7 million). □

Korea Revamps Tariff Structure, U.S. Farm Product Exports Benefit

Korea's imports of U.S. farm products may cross the $1-billion mark for the first time, led by expanding exports of cotton and corn.

U.S. exports to Korea have risen from $300 million in 1971 and reached $919 million in 1977. Over 70 percent of U.S. agricultural exports to South Korea now enter the country duty free or at duty of less than 5 percent ad valorem.

Partly because of recent liberalization of its import restrictions, South Korea's total farm product imports are expected to reach $1.8 billion in calendar 1978. This figure will probably include U.S. agricultural exports totaling $1.1 billion, including an estimated $350 million or more of U.S. cotton.

The $1.8-billion import figure will be about 20 percent higher than the $1.5 billion recorded in 1977 and 50 percent greater than 1976's $1.2 billion.

The recent liberalization moves will have the greatest impact on imports of cotton and other raw materials used by industry, and some less important items demanded by the tourist trade.

South Korea's grain imports are influenced by a number of nontariff barriers, which remain. Since that country is now self-sufficient in rice, no imports will be allowed this year. Government policies also severely restrict imports of wheat and barley by means of quotas and price regulations. Imports of barley are allowed only when the domestic crop is below expectations.

Improvements in Korea's foreign exchange position (a balance of more than $3 billion) have permitted that country to liberalize imports of some so-called luxury items used for the tourist trade and in the large hotels catering to international businessmen. As a result, Korea's imports of canned and snack food have risen markedly. Korea's imports of some other relatively minor items, such as grass seed, malt, beverage bases, and vegetable juices, also have increased.

South Korea has become a growing market for U.S. tobacco because of plans by the Tobacco Monopoly to produce more high-quality cigarettes containing a blend of domestic and U.S. flue-cured and burley tobaccos. U.S. tobacco exports to Korea reached $21.2 million in 1977 and should remain strong in 1978.

During the first 8 months of fiscal 1978, U.S. agricultural exports to South Korea reached $664 million—up 18 percent over the comparable months of fiscal 1977. U.S. cotton exports to Korea during the 1978 period were up 41 percent in value to $250 million. Strong gains also occurred in U.S.

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exports of corn, cattle hides, bird feathers, and live cattle.

U.S. sales and exports of corn to Korea so far in fiscal 1978 total 1.47 million tons—nearly double the fiscal 1976 level.

Some of the new U.S. products showing up during the current period included: Baby chicks, $334,000; and frozen sweet corn, $124,000. U.S. exports of peanuts to Korea reached 373 tons valued at $314,000 during October-May 1977/78—more than triple the level during the first 8 months of fiscal 1977.

Korea now has five tariff classifications: A general schedule; a temporary schedule carried in the general schedule; a separate schedule of exceptions, chiefly for agricultural products, logs, and minerals; a so-called flexible tariff schedule; and a schedule of rates bound under the General Agreement on Tariffs and Trade.

In addition, there are two minor schedules containing selected concessional rates for products from certain developing countries, and a simplified tariff used for processing items brought into the country by individual travelers.

Exemption from import duties of imported seeds, breeding animals, and animal feed components have been beneficial to U.S. shipments of these products.

Korea's tariff reform—which became effective January 1, 1977, and was modified during 1978—has met with mixed reactions by Korean importers. Since the early 1970's manufacturers paid no duty on raw materials imported for manufacture into export products.

But in 1978 it was proposed that manufacturers and others pay a 20-percent import duty when raw materials enter the country and then receive a rebate when the finished products are exported. Since this would take large sums of private money out of circulation and put it into Government hands, the new proposals were extremely unpopular.

The procedure finally adopted allows duty-free imports of that share of raw materials to be converted into export goods. For example, a manufacturer who plans to export 80 percent of the products made from a $1-million cotton shipment would pay a duty of 20 percent on the 20 percent he expected to be consumed domestically ($40,000). Formerly he had to pay $200,000 when the raw materials were imported, receiving a part of it back when the finished goods were exported.

Since so much of Korea's industry depends on imported raw materials, the duty-free arrangement for raw materials converted into export goods—the first stage of a gradual changeover to a unified tariff system—was believed to impose the least hardship on importers. □

The United States: Agricultural Exports to South Korea, U.S. Fiscal Years 1976 and 1977, and October-May 1976/77 and 1977/78

Item	1976[1]	1977[1]	1976[2]	1977[2]	1976[1]	1977[1]	1976[2]	1977[2]
	Metric tons[3]	*Metric tons*[3]	*Metric tons*[3]	*Metric tons*[3]	*$1,000*	*$1,000*	*$1,000*	*$1,000*
Cotton	190,293	188,333	117,576	184,316	258,436	296,266	183,892	253,891
Wheat	1,800,761	1,970,506	1,264,958	1,073,733	256,177	232,313	155,989	124,847
Corn	777,033	1,205,107	789,396	1,087,726	92,991	126,255	86,697	114,470
Cattle Hides (1,000 pieces)	3,423	3,745	2,202	2,576	66,047	89,671	51,460	68,902
Soybeans	99,419	153,933	92,915	141,658	23,663	42,880	27,658	34,767
Tallow	83,420	103,543	67,021	44,688	31,161	40,546	25,057	17,719
Bird feathers	17	414	251	386	310	9,898	5,859	12,168
Soybean meal	2	—	—	18,644	8	—	—	4,474
Cattle hides (1,000 pieces)	1,000	—	3,170	9,754	707	4,481	2,741	7,856
Rice	205,196	61,282	60,172	7	49,565	11,716	11,502	3
Fruit Juices (1,000 gal.)	215	238	131	264	309	704	430	1,057
Tobacco	4,515	4,458	1,290	150	17,305	21,159	5,391	931
Cottonseed oil	555	872	608	805	309	704	478	614
Furskins (1,000)	250	276	202	64	677	1,490	993	603
Beef and veal	137	497	82	137	129	477	242	575
Chocolate & cocoa	91	308	57	86	58	540	128	319
Peanuts	—	137	119	373	—	137	84	314
Canned fruit	157	234	170	331	151	198	138	310
Baby Chicks (1,000)	6	—	—	173	7	—	—	334
Raisins	222	151	25	145	229	270	52	240
Malt & Malt extract	—	9	9	533	—	3	3	165
Frozen Poultry	5	256	28	110	5	36	23	83
Sweet corn (frozen)	—	—	—	1,065	—	—	—	124
Seeds	106	272	47	114	163	273	73	179
Total[4]	—	—	—	—	809,489	919,022	564,905	663,992

[1] Oct.-Sept. fiscal year. [2] Oct.-May. [3] Unless otherwise noted. [4] Total includes "other items" not in table.
Source: Bureau of the Census.

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Japan Imports 10 Percent Less Leaf Tobacco

Japan's imports of unmanufactured tobacco in Japanese fiscal year 1977 (April 1977-March 1978) totaled 87,373 metric tons, down 10 percent from those of the previous year. The decline primarily reflects efforts to reduce stocks to a 24-month supply, or to what the Japan Tobacco and Salt Public Corporation (JTS) considers an optimum level.

During Japan's fiscal year 1977, tobacco manufacturing increased 2.2 percent to 304.0 billion pieces, up from 297.5 billion pieces in 1976, according to Dudley G. Williams, U.S. Agricultural Attaché, Tokyo.

The United States supplied 48,534 tons, or 56 percent of total leaf imports in Japan's fiscal year 1977. The U.S. market share slipped 1 percent from the previous year's, but still remained well above 1975's 48 percent level.

Imports from Turkey rebounded over tenfold from 1976's 732 tons to 7,916 tons in 1977, making Turkey Japan's second leading supplier.

Other major suppliers in 1977 included (in tons): India (3,812), Greece (3,754), the People's Republic of China (3,722), Thailand (3,418), South Korea (3,416), the Philippines (2,375), Italy (2,213) and Brazil (1,668).□

International Meetings—September

Date	*Organization and location*
9-16	FAO Regional Conference for Near East—Damascus.
11-15	FAO-ECE Working Party on Mechanization of Agriculture—Geneva.
12-14	OECD Working Party on Fruits and Vegetables—Paris.
12-22	FAO Regional Conference for Africa—Tanzania.
17-21	XVI World Poultry Congress—Rio de Janeiro.
18-21	FAO-WHO Codex Alimentarius Committee on Food Hygiene—Washington.
18-22	UNCTAD Intergovernmental Group of Experts on Tea—Geneva.
25-27	FAO-WHO Codex Alimentarius Committee on Fruits and Vegetables—Washington.
25-29	International Coffee Organization Council Meeting—London.
25-29	UNCTAD Ad hoc Working Group on Sisal—Geneva.

Trade Teams—September

U.S. Teams Overseas

Date	*Organization*	*Visiting*
4-14	Tanners Council	France
3-25	National Renderers Association	Colombia, Brazil, Argentina.
24-26	National Renderers Association	United Kingdom, Belgium, Netherlands.

Foreign Trade Teams in the United States

Date	*Organization*	*Visiting*
Aug. 18-Sep. 8	Bolivian wheat mission	Florida, Illinois, Kansas, Minnesota, Missouri, South Dakota, Texas, Colorado, New York, Wyoming.
Aug. 20-Sep. 6	Bolivian wheat team	Illinois, South Dakota, Wyoming, Kansas, Texas, New York City, Washington, D.C.
Aug. 20-Sep. 15	Taiwanese feed industry team	California, Iowa, Illinois, New York, Louisiana, Texas.
Aug. 23-Sep. 10	Japanese wheat mission	Oregon, New York, Idaho, Nebraska, California.
Aug. 23-Sep. 13	Taiwanese soybean crushers' team	California, Louisiana, Indiana, South Carolina, Georgia, New York, Ohio, Indiana, Illinois, Missouri, California.
2-17	Korean poultry team	California, Nebraska, Iowa, Illinois, Georgia.
2-17	Yugoslav seed team	Minnesota, Oregon, California.
5-Oct. 7	Philippine grain team	Washington, Oregon, Minnesota, Kansas.
6-20	Romanian wheat team	Illinois, North Dakota, Colorado, Kansas, Washington, D.C., New York City.
8-24	Romanian field crop team	Minnesota, Texas, Oregon, California.
12-25	Japanese wheat team	Washington, Oregon, California,
23-Oct. 8	Ghanian wheat team	Minnesota, North Dakota, South Dakota, Kansas, Texas, New York City, Washington, D.C.